Intelligent building ...

Financial Statements of PORR AG for the Business Year 2016

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Management Report

Economic Environment

With an increase of 3.1%, global economic growth matched the level of the previous year in 2016. Geopolitical crises continued to impact on the performance of the global economy. In the USA economic growth accelerated due to the stronger foreign demand over the course of the year. The dominating factors at year-end were the uncertainties related to future economic policy – in particular the risk of increased trade restrictions – as well as a tightening of monetary policy in the USA. The economy in Asia rose significantly. Commodity-exporting countries, particularly the emerging markets, continued to profit from the stabilisation of commodities prices.[1]

In contrast, the pace of economic growth in the eurozone was unchanged – the European economy continued along its moderate growth course. Great Britain's vote to leave the EU was not yet reflected in the eurozone growth rates. Private consumer demand was once again the growth driver in the majority of EU countries. While the economy in the 19 Euroconstruct countries grew by 1.8% in 2016, this growth was far short of the level of the previous year. A weak appetite for investment stifled the pace of growth and foreign trade also slowed down still further. In contrast the fiscal policy of the central banks had a positive effect on growth.[2]

Driven by strong domestic demand, real GDP in Germany increased by 1.8% in 2016 according to the initial calculations of the Federal Statistical Office.[3] The growth prospects in Central and Eastern Europe (CEE) also improved in light of the recession in Russia, which was only moderate contrary to expectations, and was set to be just under 3.0%. As in previous years, the economy in Poland achieved growth of 3.2% and was further boosted by increased consumer spending and a good job market situation. With growth of 2.3%, the Czech economy lagged significantly below the record year 2015.[4]

The Austrian economy is currently in a recovery phase that is being buoyed by domestic demand. Real GDP growth accelerated – following on from less than 1.0% for four years in a row – to 1.4% in 2016. This development was driven by investments and private consumption, which benefited from the income tax reform implemented in January 2016. Annual growth of 1.5% has been forecast for the years 2017 to 2019.[5]

Developments in the Construction Industry

Analysts' expectations were high following the original optimistic forecasts that 2016 would be the first year of robust economic growth after a long crisis. However, disenchantment set in after the Brexit vote and the surprising relapse of certain countries into a downturn: Euroconstruct forecast subdued growth of 2.0% in construction output for the 19 member states in 2016. Eastern Europe also failed to overcome the crisis and was confronted with decreases – although in individual countries such as Poland this started out from a high baseline. The only sector that outperformed the forecasts was residential construction, while investments in building construction and infrastructure construction were lower than in the previous year. Growth rates of 2.1% and 2.2% have been forecast for Europe in 2017 and 2018 – with significantly more robust growth in Eastern Europe.[6]

There are multiple reasons for the slowdown. In addition to the negative impacts expected from the Brexit vote and the likelihood of weaker economic growth in China and Germany, there is an array of structural problems. The ongoing weakness in the banking sector in Europe and the expected hike in interest rates are having a stifling effect on the construction business.

With a plus of 2.5%, Germany's construction output achieved robust growth in 2016. That said, the growth was almost exclusively driven by the increased demand for residential construction caused by migration. The petering out of this trend after 2018 is likely to lead to stagnation in German construction.

In Austria the three segments residential construction, building construction and infrastructure construction achieved slight growth. While Euroconstruct does not see any notable weaknesses in Austria's construction output, it also sees hardly any particular strengths. In 2016 growth stood at 1.6% and it is expected to remain at a similar level in the next three years.

[1] Wifo press release, 8.11.2016, http://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=59098&mime_type=application/pdf
[2] Euroconstruct: 2016_82_Country-Report Barcelona
[3] http://www.finanzen.net/nachricht/zertifikate/IKB-Kapitalmarkt-News-Deutsche-Konjunktur-Robuster-Ausblick-5293684
[4] Euroconstruct: 2016_82_Country-Report Barcelona
[5] https://www.oenb.at/Presse/Pressearchiv/2016/20161212.html
[6] EC Nov2016: Seite 8-22

Financial Performance

Income Statement – Overview

in EUR thousand	2016	2015	Change
Revenue	121,658	122,218	-560
EBIT	16,008	19,994	-3,986
Net investment income	27,919	30,885	-2,966
Net interest expenses	-4,911	-4,553	-358
Other financial income/expenses	201	-1	202
EBT	**39,217**	**46,325**	**-7,108**
Tax	-3,538	1,927	-5,465
Profit for the year	35,679	48,252	-12,573
Net earnings	**32,154**	**48,857**	**-16,703**

As a result of the first-time application of the provisions of the Austrian Law on Changes in Accounting (RÄG 2014), in the business year 2016 there was a change in the form of presentation used to date and the previously applied measurement methods. In accordance with Section 906 Paragraph 36 Austrian Commercial Code, the amounts stated in the balance sheet and the income statement in previous years have been presented as if the provisions of the new laws had already been applied in the previous year in order to facilitate comparisons.

PORR AG not only provided services for the entire PORR Group, but also exercised holding functions. The following values and statements relate exclusively to the annual financial statements of PORR AG.

In the 2016 income statement, PORR AG reported revenue totalling EUR 121.7m (previous year: EUR 122.2m), which was primarily generated by providing services.

The other operating income includes income from grants and exchange gains and declined by EUR 0.6m to EUR 0.9m (previous year: EUR 1.5m).

Cost of materials and other related production services fell by EUR 1.5m and stood at EUR 8.5m (previous year: EUR 10.0m).

The average staffing level in 2016 increased by 9.0% against 2015. Staff expense increased by EUR 3.6m to EUR 35.7m (previous year: EUR 32.1m), a rise of 11.4%. This increase contains the adjustment in the interest rate of 1.65% against 2.25% in the previous year for the provisions for severance payments, pensions and anniversary bonuses.

Depreciation, amortisation and impairment rose by 41.1% or EUR 2.3m to EUR 8.1m (previous year: EUR 5.8m). The increased investment in new software technologies led to a rise in depreciation, amortisation and impairment for software and hardware compared to the previous year.

Other operating expenses fell by EUR 1.6m to EUR 54.2m (previous year: EUR 55.8m). The items included here primarily related to legal and consultancy services (EUR 6.8m), commissions on bank guarantees (EUR 9.8m), insurance premiums (EUR 6.6m), office running costs (EUR 12.7m), expenses for buildings and land (EUR 8.2m), charges and other taxes (EUR 0.7m), advertising costs (EUR 3.9m) and expenses for the vehicle fleet (EUR 0.5m).

Earnings before interest and taxes (EBIT) declined against the previous year by EUR 4.0m to EUR 16.0m (previous year: EUR 20.0m).

Net investment income of EUR 27.9m (previous year: EUR 30.9m) saw a slight decrease of EUR 3.0m.

Other financial income/expenses primarily increased due to the sale of securities in current assets of EUR 0.2m (previous year: EUR 0). Net interest expenses rose in 2016 against the previous year by EUR -0.4m to EUR -4.9m (previous year: EUR -4.5m).

Starting out from EBT of EUR 39.2m (previous year: EUR 46.3m), there was a profit for the year after taxes of EUR 35.7m (previous year: EUR 48.3m).

Financial Position and Cash Flows

Balance Sheet – Overview

in EUR thousand	31.12.2016	31.12.2015	Change
Non-current assets	654,572	581,903	72,669
Current assets	224,270	343,970	-119,700
Accruals and deferrals	3,387	2,653	734
Deferred tax assets	163	0	163
Total assets	**882,392**	**928,526**	**-46,134**
Equity	362,897	359,770	3,127
Mezzanine capital	25,000	25,000	0
Provisions	49,295	44,410	4,885
Liabilities	445,023	499,156	-54,133
Accruals and deferrals	177	190	-13
Total equity and liabilities	**882,392**	**928,526**	**-46,134**

At 31 December 2016 the total assets of PORR AG stood at EUR 882.4m and declined by EUR 46.1m against the level of the previous year of EUR 928.5m. With regard to assets, the decline was primarily caused by the reduction in cash at banks, as well as securities and shares in current assets. The reduction was mainly used for the repayment of a bond.

Under assets, non-current assets are the focal point of the total, accounting for 74.2%; at year-end 2016 they totalled EUR 654.6m (previous year: EUR 581.9m). Intangible assets and property, plant and equipment rose by 3.4% to total EUR 44.5m (previous year: EUR 43.1m). The sharpest growth was in shares in associated companies, which rose by EUR 62.6m to EUR 514.9m (previous year: EUR 452.3m) as the result of a shareholder contribution (a so-called grandparent subsidy) in PORR Bau GmbH and loans to companies in which an interest is held of EUR 8.7m (previous year: EUR 0).

Significant changes in current assets included the reduction in cash and cash equivalents of EUR 65.2m to EUR 60.9m (previous year: EUR 126.1m) and receivables from associated companies of EUR 29.4m to EUR 137.6m (previous year: EUR 167.0m). As a result of sales and disposals through redeeming maturing bonds, securities in current assets fell by EUR 25.4m to EUR 4.3m (previous year: EUR 29.7m).

The equity ratio (including mezzanine capital) rose by 2.6% as of the reporting date to 44.0% (previous year: 41.4%).

Provisions rose by EUR 4.9m to EUR 49.3m (previous year: EUR 44.4m). Liabilities declined as of the reporting date by 10.9% or EUR 54.2m to EUR 445.0m (previous year: EUR 499.2m). This was primarily because of the scheduled redemption of the bond issued in 2012 with a volume of EUR 50.0m less the increase in Schuldscheindarlehen with a nominal amount of EUR 14.5m to EUR 200.0m in August 2016. Other liabilities also fell by EUR 27.0m to EUR 46.7m (previous year: EUR 73.7m).

The cash flow statement shows the use and origin of cash and cash equivalents in the company.

The cash flow from operating activities of EUR 18.4m (previous year: EUR 76.0m) mainly resulted from the reduction in other liabilities and the change in receivables and liabilities for associated companies, whereby the cash-pool liabilities contained therein are recognised in cash flow from financing activities.

Cash flow from investing activities changed from EUR -17.8m in 2015 to EUR -56.5m. Investments in financial assets and securities in current assets amounted to EUR 74.4m and an amount of EUR 11.3m was recognised for investments in property, plant and equipment and intangible assets. This contrasts with inflows from the sale of assets and the disposal of securities in current assets totalling EUR 29.2m.

Cash flow from financing activities of EUR -27.0m (previous year: EUR 67.6m) contains, on the one hand, the redemption of the 2012 bond and the proceeds from increasing the Schuldscheindarlehen issued in 2015 of EUR -35.5m, as well as the settlement of loans and borrowings and lease obligations of EUR -1.4m; on the other hand, it contains the inflow of funds from incoming cash-pool payments of EUR 42.4m. A dividend of EUR 28.5m (previous year: EUR 21.4m) was paid out to the shareholders of PORR AG for the business year 2015. Shareholders additionally received a special dividend of EUR 14.3m, of which only EUR 4.1m was paid out in cash. The remainder of the special dividend amounting to EUR 10.2m was issued in the form of PORR shares.

At year-end 2016 PORR AG had cash and cash equivalents of EUR 60.9m (31 December 2015: EUR 126.1m).

Cash Flow Statement - Overview

in EUR thousand	2016	2015
Net cash flow from operating activities	18,444	75,987
Net cash flow from investing activities	-56,557	-17,750
Net cash flow from financing activities	-27,006	67,633
Change in cash and cash equivalents	**-65,119**	**125,870**
Cash and cash equivalents at start of year	126,057	187
Cash and cash equivalents at year-end	**60,938**	**126,057**

Staff

Staffing level increase in 2016

In 2016 PORR AG employed 365 staff members on average, broken down into six waged workers and 359 salaried employees. In comparison to the previous year, this represented a rise of 30 staff members or 9.0%.

Average staffing levels of PORR AG	2016	Change	2015	2014	2013
Waged workers	6	100%	3	3	8
Salaried employees	359	8.1%	332	310	295
Total	**365**	**9.0%**	**335**	**313**	**303**

Research and Development

PORR is striving for technological leadership in many areas. In order to do justice to this goal even more effectively, the PORR innovation initiative has been strengthened by the implementation of the “Knowledge factory”. As part of the online forum for technological issues, the company is promoting optimal staff networking, regardless of hierarchies. At the same time, the entire Group thereby has access to individual knowhow and any possible need for innovation can be identified.

PORR cooperates with competitors and major clients in a variety of research projects. Different university institutes are involved in industry and innovation projects and form the scientific basis in interdisciplinary consortiums. Current examples include a project to optimise the strengthening and reinforcement of bridges and one for the further reduction in resource consumption of construction machinery.

In total PORR employs 45 people in the field of Research, Development and Innovation. Employees from other European PORR locations are also involved in certain projects. The PORR department of Technology Management and Innovation (PTI) serves as a contact point offering comprehensive consulting and support for every innovation question. Other departments and operating units support innovation projects – the organisation is handled by knowledge management. The key importance of the issue is also reflected in the investments in research and development – investment in 2016 was 20% higher than in the previous year.

A central issue of the work in innovation at PORR is the digitalisation of design and construction processes. There are 30 employees in PORR Design & Engineering working on the further development and application of Building Information Modeling (BIM). Step-by-step, various processes related to design and execution are being integrated into this model, including Architecture, Statics, Calculation and Construction Site Progress.

In addition, the further development of 3D FEM statics programmes is being promoted in a multi-year project. The core of the project involves measurements of the loads actually incurred on three towers currently under construction. There have been multiple PORR developments and patents realised for projects in Germany and Austria in the field of tunnelling – a focal point of innovation in recent years. These include bonded steel/concrete lining for extremely high loads, lining with non-corrosive reinforcement, and materials for annular gap backfilling in case of high mountain-water pressure. A further development of the Slab Track system was also realised on the construction of the metro in Doha. Furthermore, a heavy-duty system for axle loads of up to 32 tonnes was developed; this can be used in the railway network of the Middle East and in heavy industry.

Forecast Report

The strategy of intelligent growth has developed into a PORR success factor in recent years and will continue to be implemented consistently. In addition to a commitment to the core competency of construction, PORR understands this to mean focusing on the markets that are classified as home markets. The majority of the Group's output is generated in Austria, Germany, Switzerland, Poland and the Czech Republic. This is complemented by large-scale, high-margin projects in the project and target markets, predominantly in the infrastructure sector. With its focus on private industrial clients, PORR is also positioned in building construction as a skilled partner whose word is its bond.

Even though the share of output generated outside the five home markets has increased in recent years, more than 87% of construction output is still generated in the stable countries in the DACH region with strong credit standing, as well as in Poland and the Czech Republic. This strategy will be maintained and in the future PORR will continue to concentrate primarily on this region, in line with the principle "know your market, know your customers". Internationally, PORR has successfully established itself as an expert, premium provider and infrastructure specialist from its hub in Qatar with export products in tunnelling, rail construction and foundation engineering.

In order to selectively strengthen its core competencies and niches, PORR constantly evaluates corporate acquisitions and realises them if they are judged to be positive and fit for the future. Here the growth market of Germany is particularly in focus, although acquisitions in Austria and individual options in other markets are also assessed.

The "Roadmap 2020" has been implemented in order to accelerate the digitalisation process and position PORR as a leading construction company in this field. The Roadmap is the strategic implementation plan to digitalise PORR and is being realised by cross-departmental teams from Corporate Development, IT & Business Processes, PORR Design & Engineering, PORR Equipment Services and especially by the operating employees from every unit.

In addition to promoting digitalisation, PORR's primary goal is to sustainably secure its positioning as the 'best place to work'. The programme "Work & Life @ PORR" has been successfully introduced in the competition for the best talent, offering staff comprehensive additional services relating to healthcare, nursing care, childcare and equal opportunities. PORR benefits from above-average staff retention, which is being strengthened still further by this programme, and receives a high number of applications for salaried and waged positions despite the prevailing lack of skilled labour.

Even though the good performance of the business has led to annual increases in production output, the cushion of orders has also continued to grow. With an order backlog of around EUR 4.8bn, today it stands at almost EUR 0.9bn above annual production output. This is complemented by very strong earnings last year, with an EBT increase of 12.3% and liquidity which is above the industry average, with a net cash position totalling EUR 53m.

The combination of high profitability and a very good order situation allows the Executive Board to assume a further increase in output and earnings for the current year 2017. This forecast is, however, subject to a significant fluctuation range typical to the industry in light of the highly dynamic nature of the construction market.

Risk Report

The qualified approach to risks and opportunities has long been one of the PORR Group's most important principles when carrying out any economic activity and secures its competitive ability. Risks should also be targeted as opportunities where possible. The aim of risk management is to identify risks and then minimise them while still maintaining the company's earnings potential. The goal of risk management within the PORR Group lies in developing and implementing the required organisational processes which help to pinpoint risks early on as well as developing or implementing any appropriate measures to counter those risks. The following lists the most significant risks known to the PORR Group, which can have a lasting influence on the financial position, cash flows and financial performance of the Group.

Market risks

Market risks result from changes to economic environments and frameworks in the important PORR markets. Furthermore, disparities between national economies cause a variation in demand across the PORR Group's markets. PORR reacts to fluctuations in national markets and business segments and to the current budget restrictions in the public sector of many countries by concentrating on the home markets where margins are secure, namely Austria, Germany, Switzerland, Poland and the Czech Republic. On the project markets of Qatar, UK, Slovakia, Romania and Norway and in future on the target markets of Sweden and Denmark, PORR only offers export products for selected projects in the fields of tunnelling, rail construction (Slab Track system) and specialised foundation engineering.

Project risks

These apply to all operating units of the PORR Group and can be qualified in terms of calculation and execution risks. From the tender stage to the conclusion of a contract, all projects are assessed for specific technical, commercial and legal risks. This is carried out in close collaboration between the parties responsible for operations and the risk managers with the aid of risk checklists. Ongoing target/performance comparisons are carried out during the project execution stage of all projects. If the project is outside the target parameters, then appropriate control measures are initiated, monitored by the risk managers as part of a regular process, and assessed with regard to results.

Staff risks

Successful management of risks related to human resources is crucial to the development of the PORR Group. Staff risks arise from employee fluctuations and loss of expertise, as well as shortages of skilled labour, management and young talent. This is why PORR's activities are targeted towards steadily developing staff skills through efficient training measures and increasing the PORR Group's appeal as an employer through career opportunities and incentive schemes. PORR deals with the increasingly fierce competition for highly qualified specialists and managers by optimising recruitment measures and through targeted employer branding.

Financial risks

Managing financial risks, in particular liquidity risks, interest rate risks and currency risks is carried out by the Treasury division and governed by standard Group guidelines. To minimise the risks as far as possible, certain derivative and non-derivative hedging instruments are used in line with evaluations. In general only operational risks are hedged, speculative transactions are forbidden. All hedge transactions are performed centrally by the Group financial management. An internal control system (ICS) designed around current requirements has been implemented to monitor and control risks linked to money market and foreign exchange trading. The cornerstone of managing these risks is the complete functional separation of commerce, processing and accounting. The most important risks for the PORR Group in terms of finance – liquidity risks, interest rate risks and currency risks – are described below in more detail.

Liquidity risks

The liquidity risk of PORR AG is defined as the risk that liabilities cannot be paid upon maturity.

At 31 December 2016 net debt, defined as the balance of cash and cash equivalents, bonds and current and non-current financial liabilities, amounted to EUR 265.8m (previous year: EUR 212.1m).

Current monetary assets exceeded current monetary liabilities by EUR 51.6m (previous year: EUR 119.5m). Even after offsetting current provisions totalling EUR 28.8m (previous year: EUR 23.6m), a surplus of EUR 22.8m remained (previous year: EUR 95.9m).

As of the reporting date, external current financial liabilities amounted to EUR 0.7m (previous year: EUR 50.7m) and were fully covered by cash and cash equivalents of EUR 60.9m as of end-2016 (previous year: 126.1m).

Around 92.7% of external non-current financial liabilities of EUR 330.3m (previous year: EUR 317.2m) consist of bonds.

At 31 December 2016 there was EUR 176.0m available in bank lines for cash loans, which could be drawn on for the immediate refinancing of current financial liabilities.

The Group has access to three syndicated credit lines totalling EUR 961m, which have been concluded with a three-year term. Furthermore, there are bilateral credit lines for the European market totalling EUR 1,375.9m, as well as lines in Qatar, Oman, Saudi Arabia and the United Arab Emirates totalling EUR 583,64m, which generally have a term of one year. As of 31 December 2016, around 49% of the European credit lines had been drawn on, as had around 33% of the lines in Qatar, Oman, Saudi Arabia and the United Arab Emirates.

Interest rate risks

The Group's interest rate risk is defined as the risk from rising interest cost or falling interest income in connection with financial items. For PORR this risk results primarily from the scenario of rises in interest rates, especially in the short term. Any future hedge transactions that are required will be concluded by the Group's financial management. At the end of the reporting period, the management of this risk was conducted with non-derivative instruments as well as two interest rate swaps totalling TEUR 125,000 and three interest rate swaps with start dates in the future totalling TEUR 67,000. All derivative hedges are designated as cash flow hedges. All interest rate swaps relate to swapping variable interest flows for fixed interest flows. As of 31 December 2016 the market value of the interest rate swaps had a fair value of TEUR -1,244.

Foreign currency risks

At 31 December 2016 PORR had concluded forward exchange contracts totalling EUR 37.8m (previous year: EUR 19.0m), all of which related to forward purchases and serve to hedge intragroup financing. At 31 December 2016 the market valuation of open forward exchange contracts resulted in a fair value of TEUR -387 (previous year: TEUR -30).

Supplier risks

The strategic decision to position the PORR Group as a full service provider means that PORR offers a comprehensive service portfolio. Capacity restrictions mean that some work must also be carried out by subcontractors. The risks connected with this concern quality, delivery times and expenses and can lead to supply difficulties in times of increased demand. Partner management in the form of cooperation agreements with the supply industry and trade takes a long-term approach and contributes to minimising supply risks in subcontractor purchasing, whereby steel, cement, formwork and diesel are important commodities for the PORR Group. For these and other materials, there are lead buyers in place as product specialists, who are integrated in the tender process from the very beginning. Using an IT-supported purchasing platform allows the Group to monitor the amounts purchased and facilitates the purchase of larger volumes. The price risk of other key materials purchases can only be hedged through long-term price fixing in the form of frame agreements, owing to the lack of functioning derivative markets for these materials. The increasing challenges for the operational areas in recent years have been the price increases in the energy and commodities sectors. As long as it is not possible to transfer these costs to the customer, they may have a negative effect on the Group's financial performance. Building up stable, long-term relationships with suppliers and subcontractors is therefore seen as an urgent priority and enables the Group to minimise these risks by means of long-term frame agreements.

Credit risks

Specific to the industry, construction contracts require an advance payment by the general contractor which will not be covered by payments until a later date. To reduce the default risk an extensive creditworthiness check is carried out and adequate sureties are agreed as far as possible. The default risk related to other primary financial instruments recorded as assets is also considered marginal, as the contract partners are financial institutes and other debtors with good credit standing. The carrying amount of all financial assets represents the maximum default risk. In as far as default risks on financial assets are possible to determine, these risks are addressed by applying impairment. There are high unsettled receivables for infrastructure projects from government-related companies in Austria and Germany. Apart from these, there are no other operative risk concentrations arising from high outstanding amounts from individual debtors.

Capital risks

The fundamental aim of the Group's capital management is to substantially increase equity and to keep debt low.

In 2016 there was an increase in Group equity from EUR 412.1m to EUR 440.9m. The equity ratio rose from 17.9% to 18.7%. At 31 December 2016 the net cash position, defined as the balance of cash and cash equivalents, bonds and current and non-current financial liabilities, totalled EUR 53.3m (previous year: EUR 186.5m). The net gearing ratio, defined as net financial debt divided by equity, is applied for the control of capital management. The net gearing remained negative and declined due to the lower net cash position from -0.5 to -0.12.

Internal control system

The PORR Group's internal control system (ICS) is oriented towards the EU standards which have been compulsory since 2009 and whose aim is to produce comparable evaluations of the efficacy of the ICS. Furthermore, PORR is dedicated to securing the company's assets, guaranteeing the actual effects and efficiency of operational processes and ensuring the reliability of financial reporting. The responsibility for implementing and adhering to legal stipulations for the accounting-related internal control system lies with the Executive Board, which has in turn charged the Group audit department with internal auditing and the accounting department with external reporting tasks. The internal control system involves assessing operational risks as well as the appropriate implementation of organisational standards and processes across all areas of accounting and reporting within the PORR Group. The internal control system in the PORR Group ensures that the recording, preparation and accounting of business transactions are standardised across the Group and incorporated correctly into Group accounting. Measures such as clear, Group-internal guidelines, predefined process directives and system-supported processes for recording accounting data all support a uniform and orderly accounting practice. The reporting of subsidiaries included in the consolidated accounts as well as their consolidation is carried out using integrated IT systems supported by databases. The relevant requirements for guaranteeing correct accounting practices are laid out in uniform Group methods of accounting and valuation and disseminated regularly. The clear functional separation and various control and monitoring methods such as plausibility checks, regular auditing activities at various reporting levels and the dual-control principle mean that proper and reliable accounting is assured. The systematic controls ensure that accounting in the PORR Group conforms to international accounting standards and internal guidelines and guarantees the proper and uniform execution of all accounting-related processes. Within the internal control system, the audit committee takes on the Supervisory Board's task of monitoring accounting processes and financial reporting. The compliance management system and the internal audit team also carry out an independent assessment of the effectiveness of the ICS with the aim of improving business processes.

The internal audit of the PORR Group was most recently externally certified on 26 November 2013 by Taxand Austria according to IIA (Institute of Internal Auditors) standards, thereby conforming to internationally recognised stipulations. The internal auditors have comprehensive audit powers, including both preventative and exploratory controls, at their disposal to enable them to realise their duties. The audit activities of the internal auditors are carried out to a yearly audit plan on direct behalf of the Group Executive Board. In addition, ad-hoc audits can be initiated at any time at the request of the Executive Board should events occur that may yield risks. The aim of the PORR Group is to continue developing the internal control system and to keep it constantly updated to conform to changing frame conditions and new Group guidelines.

Disclosure acc. to Section 243a Paragraph 1 Austrian Commercial Code

1. The share capital as at 31 December 2016 comprises 29,095,000 shares. All shares are no-par value bearer shares, each of which participates equally in the share capital of EUR 29,095,000. At the end of the reporting period, all 29,095,000 shares were in circulation.

The same legally standardised rights and obligations apply to all ordinary shares. In particular, ordinary shares confer voting rights exercised according to the number of shares and participate equally in profit and, in the event of winding up, in the remaining liquidation proceeds. The share capital of the company is fully paid in. As at 31 December 2016 the company directly and indirectly held a total of 216,495 treasury shares or 0.74% of the share capital. In accordance with Section 95 Paragraph 5 of the Stock Exchange Act, the company does not have any rights, particularly voting rights, from the treasury shares.

In line with Section 5 Paragraph 2 of the company statues, shares from future capital increases can be bearer shares or registered shares. If the resolution authorising the capital increase does not specify whether the shares are to be bearer shares or registered shares, they will be bearer shares. In accordance with Section 5 Paragraph 3 of the company statues and Section 10 Paragraph 2 of the Stock Corporation Act, shares are to be issued in one, or where necessary multiple, global certificate(s) and deposited at a securities clearing or deposit bank in accordance with Section 1 Paragraph 3 of the Austrian Act on Securities Deposits, or at an equivalent facility abroad. The company has met this obligation. All of the share certificates previously in circulation were declared invalid, in line with the respective legal regulations.

2. A syndicate agreement is in place between the Strauss Group and the IGO-Ortner Group. The Chairman of the Executive Board is aware of this syndicate agreement, as the Strauss Group, which is led by the Prospero Privatstiftung, is under his control. The Executive Board as a whole has no knowledge of the content of the syndicate agreement from his function as a Board Member. Resolutions passed by the syndicate oblige the syndicate members to exercise their voting rights. There is a reciprocal acquisition right.

3. The following shareholders have a direct or indirect holding in the capital of at least 10% in the form of ordinary shares as at 31 December 2016:

	% of share capital	of which syndicated
IGO-Ortner Group	39.14%	39.03%
Strauss Group	16.73%	15.68%

The Strauss Group is made up of SuP Beteiligungs GmbH and AIM Industrieholding und Unternehmensbeteiligungen GmbH, both of which are wholly and directly attributed to the Prospero Privatstiftung, which is under the control of Karl Heinz Strauss, Chairman of the Executive Board. Regarding the shares of the IGO-Ortner Group, the majority are directly and indirectly held by Klaus Ortner.

4. The company has no shares with special rights of control.

5. The company has no employee share ownership plans under which employees do not exercise voting rights directly.

6. In accordance with Section 6 Paragraph 1 of the company statues, the Executive Board consists of between two and six people. In line with Section 6 Paragraph 2 of the company statutes, the Supervisory Board can appoint deputies to the Executive Board. In line with Section 6 Paragraph 3 of the company statutes, the Supervisory Board can name one member as the Chairman and one member as the Deputy Chairman. Any deputy Executive Board members have the same powers of representation as the regular Executive Board members.

In line with Section 9 Paragraph 1 of the company statutes, the Supervisory Board is composed of at least three and not more than twelve Members appointed by the Annual General Meeting (AGM). In line with Section 9 Paragraph 8 of the statutes, a replacement Member can be appointed at the same time as the appointment of a Supervisory Board Member, in which case the replacement Member would take up his seat on the Supervisory Board effective immediately if the Supervisory Board Member steps down before the end of his time in office. If multiple replacement Members are appointed, the order in which they are to replace a Supervisory Board Member who steps down must be determined. A replacement

Member can also be appointed as a replacement for multiple Supervisory Board Members, so that he takes a seat on the Supervisory Board if any one of these Members steps down prematurely. The term of office of a replacement Member who joins the Supervisory Board is terminated as soon as a successor to the former Supervisory Board Member has been appointed, or at the latest when the remainder of the former Supervisory Board Member's time in office comes to an end. Should the term of office of a replacement Member who joins the Supervisory Board be terminated because a successor to the former Supervisory Board Member has been appointed, the replacement Member still serves as a replacement for the additional Supervisory Board Members he has been chosen to represent. In line with Section 9 Paragraph 2 of the statutes, the AGM can determine a shorter period in office than legally stipulated for individual Supervisory Board Members or all of the Members it appoints. Should certain Members leave the Board before the end of their term in office, in line with Section 9 Paragraph 6 of the statutes, a vote to replace them is not required until the next AGM. However, a replacement vote is required at an extraordinary general meeting, to be held within six weeks, if the number of Supervisory Board Members falls below three. In line with Section 9 Paragraph 4 of the statutes, the appointment of a Member of the Supervisory Board can be rescinded before the end of his time in office by AGM resolution requiring a simple majority of votes cast. In accordance with Section 19 Paragraph 1 of the company statues, resolutions of the Annual General Meeting are passed by simple majority of the votes present, unless another type of majority is proscribed by law; in cases where a capital majority is required, a simple majority of the share capital representatives is required for resolutions. From the legal viewpoint of the Executive Board, this statutory regulation has reduced the necessary majority of at least three quarters of the share capital represented in voting as required by the Stock Corporation Act, also for changes to the statutes, to a simple capital majority (except in the case of changes to the business purpose).

7. As at 31 December 2016, the Executive Board is authorised until 23 August 2018, in accordance with Section 4 Paragraph 5 of the statutes, to increase the share capital of the company with the approval of the Supervisory Board, in multiple tranches if so wished, to EUR 6,612,500 by issuing up to 6,612,500 no-par value shares for cash or consideration in kind – in either case also in multiple tranches – (authorised capital), whereby the issue price, the conditions of issue, the subscription ratio, and other details are to be determined by the Executive Board with the approval of the Supervisory Board. The pre-emptive rights of shareholders to these new shares issued from the authorised capital are excluded when and if this authorisation (authorised capital) is exercised by issuing new shares in exchange for cash or contribution in kind, up to a total of 10% of share capital, with over-allotment options in the course of issuing new shares in the company. Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive rights, when and if this authorisation (authorised capital) is exercised:

i) through issuing shares in exchange for contribution in kind, or
ii) through issuing shares to staff members, leading employees and Members of the Executive Board of the Group or an associate up to a total level of 10% of share capital.

The Supervisory Board is authorised to rule on changes to the statutes which result from the Executive Board exercising this entitlement.

Effective as of 31 December 2016, a resolution was passed at the extraordinary general meeting of 24 May 2016 authorising the Executive Board to acquire treasury shares over a 30-month period from 24 May 2016, in line with Section 65 Paragraph 1 Line 8 and Paragraph 1 a and 1b Stock Corporation Act, up to the legally permitted amount of 10% of share capital including treasury shares already purchased. The equivalent amount to be paid in the buyback may not be less than EUR 1.00 or higher than a maximum of 10% over the average, unweighted share price at closing on the stock exchange on the ten stock exchange days preceding the buyback. The purchase can be conducted on the stock exchange or through a public offering or in another legally permitted way, particularly over-the-counter, especially also from individual shareholders who are willing to sell (negotiated purchase) and also under the exclusion of the pro rata sales rights that can be attached to this type of purchase (reverse exclusion of pre-emptive rights). Furthermore, the Executive Board is authorised to determine the buyback conditions, whereby the Executive Board is obliged to publish the Executive Board resolution and the related buyback plan including its term, in line with legal stipulations. The authorisation can be exercised in full or in stages and also in multiple tranches for one or more purposes, by the Group, by a subsidiary (Section 189a Austrian Commercial Code) or by third parties acting for the company. Trading treasury shares is not permitted as a purpose for the buyback.

The Executive Board is authorised, with the approval of the Supervisory Board, to sell or use treasury shares for a five-year period starting from the resolution of the extraordinary general meeting on 24 May 2016, using a method different from sale on the stock exchange or public offering. The authorisation can be exercised in whole or in part, also in multiple amounts and for one or more purposes. The pro rata purchase right of shareholders upon sale or use of a different kind on the stock exchange or public offering is excluded (exclusion of pre-emptive rights). On the basis of this authorisation, in the reporting year the company issued 378,917 treasury shares, respectively around 1.3% of the share capital, as a scrip dividend in the course of the reinvestment by shareholders.

8. In 2012 the company issued a bond (debenture) of EUR 50,000,000 (for the period from 2013-2018). Furthermore, in 2014 the company resolved to implement an offer programme worth EUR 250,000,000 to issue partial debentures: it offered the opportunity to exchange bonds from 2009 and 2010 for a newly issued senior bond and a hybrid bond. The exchange offer was accepted for the senior bond in respect of a nominal amount of EUR 56.3m and for the hybrid bond in respect of a nominal amount of EUR 17.1m. The hybrid bond was increased to EUR 25.0m in 2015. Both the 2013 debentures and the 2014 senior bond incorporate the following agreement: if a change of control (as defined in the bond conditions) takes place, every bond creditor shall be entitled to accelerate maturity of their debentures and demand immediate repayment at the nominal value, including interest accrued up to the date of repayment. The 2014 hybrid bond contains the following regulation that in case of a change in control (as defined in the bond conditions), (i) the interest rate of the hybrid bond shall increase by 5.00% p. a. and (ii) the company is entitled to pay back the hybrid debenture in full.

In 2015 the company issued Schuldscheindarlehen (SSD) in four tranches with a maturity term of three and five years and totalling EUR 185.5m. These Schuldscheindarlehen were partially paid back and partially extended until 2023 in 2016 and 2017. The SSD contracts include the following agreement: where a change of control takes place (as defined in the SSD contracts), every creditor shall be entitled to call due an amount corresponding to his/her stake in the SSD and demand immediate repayment of this capital contribution at the nominal value, plus interest accrued up to the date of repayment.

The company also has three framework guarantee credit contracts for EUR 295,000,000 (valid until 22 December 2018), EUR 180,000,000 (valid until 29 June 2019) and EUR 180,000,000 (valid until 27 September 2019), which contain the following agreements: should one or more people, who at the time of signing the relevant contract do not hold a share or a controlling share, attain a controlling share, as defined in Section 22 of the Austrian Takeover Act, in the beneficiary or a significant Group company (as defined in the contracts), then the agent and the individual lenders are entitled to immediately rescind the respective shares (with regard to their respective shares in the guarantee credit contract) of the framework tranches.

There were no other significant agreements under the terms of Section 243a Paragraph 1 Line 8 of the Commercial Code.

9. Indemnification agreements under the terms of Section 243a Paragraph 1 Line 9 of the Commercial Code shall not apply.

Treasury Shares

On 24 May 2106 the Annual General Meeting passed a resolution to pay out a special dividend to shareholders of EUR 0.50 per share in addition to the dividend of EUR 1.00 per share; this was to reflect the successful spin off of the real estate business and would be paid out in cash or in the form of PORR shares (scrip dividend). During the subscription period from 1 June 2016 to 15 June 2016, shareholders had the option of taking the special dividend of EUR 0.50 per dividend-bearing share in cash or as PORR shares in the course of reinvestment. On 16 June 2016 the Executive Board of PORR AG determined the subscription ratio as 54:1 and the reinvestment price as EUR 27.00, in line with the AGM resolution of 24 May 2016. Rights were exercised for a total of around 20.5m shares, corresponding to a take-up rate of around 71.8% of the shares entitled to subscribe.

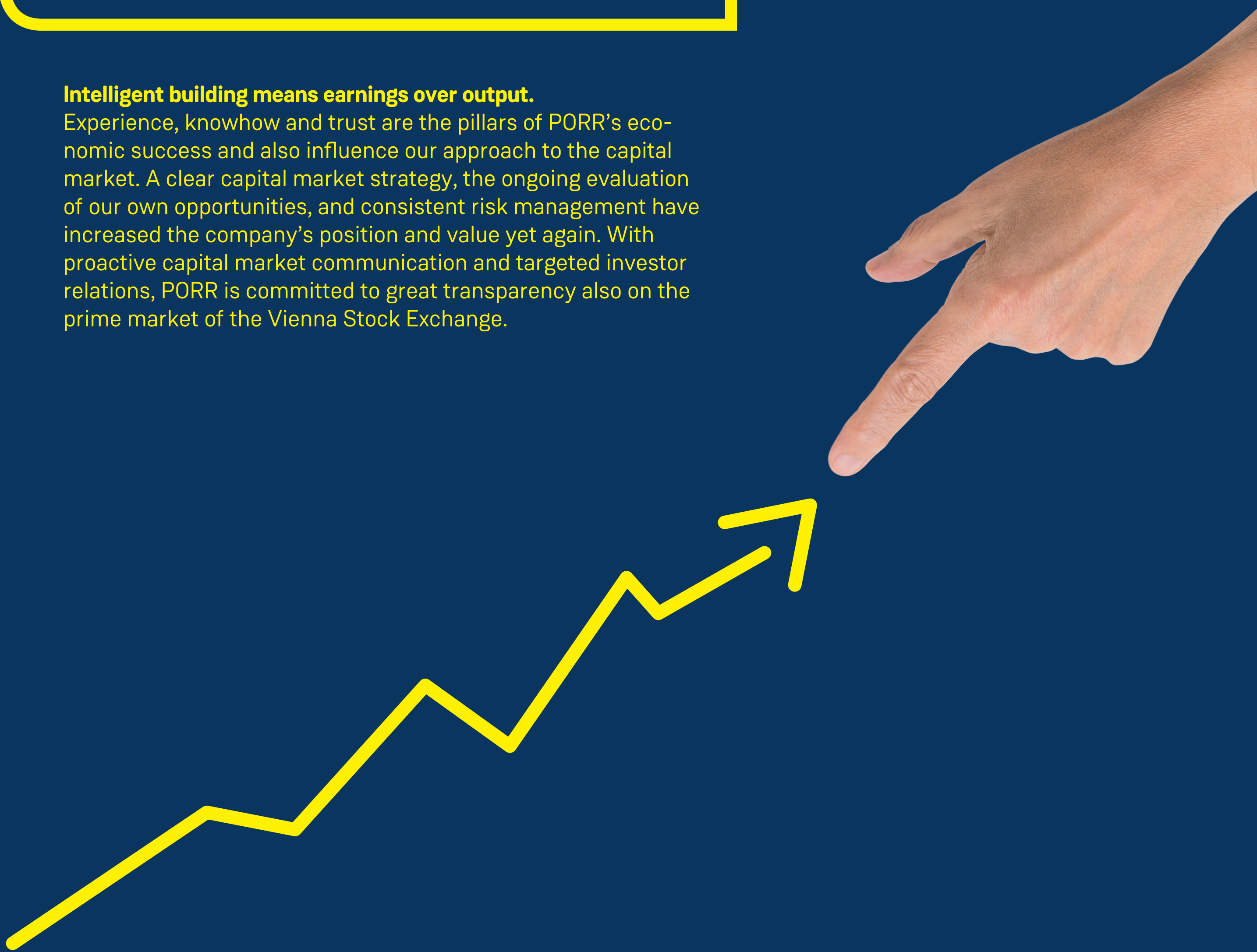
Furthermore, EPS Absberggasse 47 Projektmanagement GmbH, a wholly owned subsidiary, holds ordinary shares in PORR AG. This results in the following stake held in treasury shares:

PORR AG	No. of shares	Nominal value per share in EUR	Nominal value in EUR	% of share capital
Interest held on 31.12.2015	**572,864**	**1.00**	**572,864**	**1.969%**
Special dividend	-378,917	1.00	-378,917	-1.302%
Interest held on 31.12.2016	**193,947**	**1.00**	**193,947**	**0.667%**

EPS Absberggasse 47 Projektmanagement GmbH	No. of shares	Nominal value per share in EUR	Nominal value in EUR	% of share capital
Interest held on 31.12.2015	**22,548**	**1.00**	**22,548**	**0.077%**
Interest held on 31.12.2016	**22,548**	**1.00**	**22,548**	**0.077%**

... means earnings over output.

Intelligent building means earnings over output.
Experience, knowhow and trust are the pillars of PORR's economic success and also influence our approach to the capital market. A clear capital market strategy, the ongoing evaluation of our own opportunities, and consistent risk management have increased the company's position and value yet again. With proactive capital market communication and targeted investor relations, PORR is committed to great transparency also on the prime market of the Vienna Stock Exchange.



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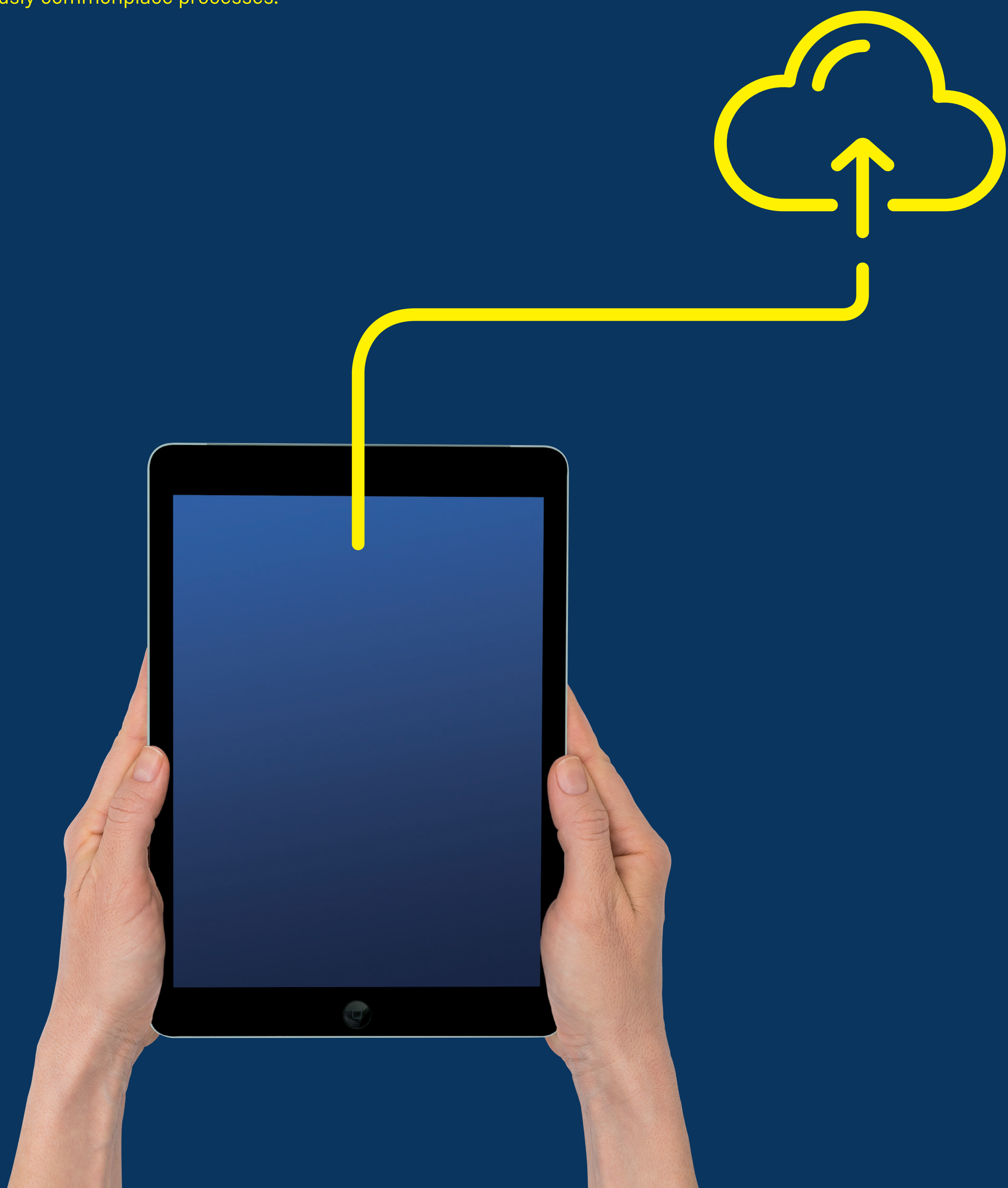
Financial Statements

… is founded on innovative solutions.

Intelligent building is founded on innovative solutions.
Today's world is digital. This also holds true for the construction business. Analogue technologies are being replaced by tablet and cloud computing, while the entire value chain – from order intake to production and execution – is being digitalised with multifunctional, complete solutions. With Building Information Modeling (BiM), PORR has set the course for the future. Our specialists today are developing 5D solutions and have integrated the dimensions of time and construction site logistics. The result: a conclusive optimisation of all previously commonplace processes.



Balance Sheet

	31.12.2016 in EUR	31.12.2016 in EUR	31.12.2015 in EUR thousand
Assets			
A. Non-current assets			
I. Intangible assets			
Concessions, licences and similar rights		11,504,795.07	10,678
II. Property, plant and equipment			
1. Land, similar rights and buildings, including buildings on land owned by others	26,153,420.36		28,435
2. Technical equipment and machinery	0.00		0
3. Other plant, factory and business equipment	4,731,993.00		3,432
4. Assets under construction	2,155,790.81		541
		33,041,204.17	32,408
III. Financial assets			
1. Shares in associated companies	514,936,004.10		452,327
2. Investments	213,902.42		211
3. Loans to companies in which an interest is held	8,684,436.66		0
4. Securities in current assets	8,690,082.29		8,691
5. Other loans	77,501,441.41		77,588
		610,025,866.88	538,817
		654,571,866.12	**581,903**
B. Current assets			
I. Inventories			
Raw materials and supplies		31,828.50	119
II. Receivables			
1. Trade receivables	1,782,821.85		976
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
2. Receivables from associated companies	137,558,583.42		167,029
of which with rem. term > 1 year: EUR 26,753,431.47; (p.y.: TEUR 15,287)			
3. Receivables from companies in which an interest is held	125,738.49		265
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
4. Receivables from consortiums	19,724.58		23
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
5. Other receivables	19,538,665.82		19,812
of which with rem. term > 1 year: EUR 1,203,410.42; (p.y.: TEUR 6,274)		159,025,534.16	188,105
III. Securities			
Other securities		4,274,337.00	29,688
IV. Cash and cash equivalents, cash at banks		60,938,726.81	126,058
		224,270,426.47	**343,970**
C. Accruals and deferrals			
Other		**3,386,432.18**	**2,653**
D. Deferred tax assets		**163,446.13**	**0**
Total assets		**882,392,170.90**	**928,526**

	31.12.2016 in EUR	31.12.2016 in EUR	31.12.2015 in EUR thousand
Equity and Liabilities			
A. Equity			
I. Share capital			
Subscribed capital	29,095,000.00		29,095
Nominal value of treasury shares	-193,947.00		-573
Issued capital		28,901,053.00	28,522
II. Capital reserves			
committed		192,764,041.98	190,491
III. Retained earnings			
1. Statutory reserve	457,838.86		458
2. Other (free) reserves	108,425,943.00		90,869
3. Reserve for treasury shares	193,947.00		573
		109,077,728.86	91,900
IV. Net earnings			
1. Profit carryforward from previous year	6,074,281.50		450
2. Profit for the year	26,079,520.92		48,407
		32,153,802.42	48,857
		362,896,626.26	**359,770**
B. Mezzanine capital		**25,000,000.00**	**25,000**
C. Provisions			
1. Severance provisions	7,950,942.00		6,911
2. Pension provisions	11,678,338.00		11,715
3. Tax provisions	20,975,387.00		17,577
4. Other provisions	8,690,390.79		8,207
		49,295,057.79	**44,410**
D. Liabilities			
of which with rem. term ≤ 1 year: EUR 113,238,289.17; (p.y.: TEUR 181,172)			
of which with rem. term > 1 year: EUR 331,784,628.93; (p.y.: TEUR 317,984)			
1. Bonds	306,262,000.00		341,762
of which with rem. term ≤ 1 year: EUR 0.00; (p.y.: TEUR 50,000)			
of which with rem. term > 1 year: EUR 306,262,000.00; (p.y.: TEUR 291,762)			
2. Mortgage liabilities	0.00		756
of which with rem. term ≤ 1 year: EUR 0.00; (p.y.: TEUR 0)			
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 756)			
3. Deposits from banks	22,028,102.24		22,094
of which with rem. term ≤ 1 year: EUR 91,587.48; (p.y.: TEUR 85)			
of which with rem. term > 1 year: EUR 21,936,514.76; (p.y.: TEUR 22,009)			
4. Trade payables	10,348,095.24		6,369
of which with rem. term ≤ 1 year: EUR 9,575,940.33; (p.y.: TEUR 6,291)			
of which with rem. term > 1 year: EUR 772,154.91; (p.y.: TEUR 78)			
5. Liabilities to associated companies	59,651,694.45		54,110
of which with rem. term ≤ 1 year: EUR 59,651,694.45; (p.y.: TEUR 54,110)			
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
6. Liabilities to companies in which an interest is held	23,804.68		400
of which with rem. term ≤ 1 year: EUR 23,804.68; (p.y.: TEUR 400)			
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
7. Other liabilities	46,709,221.49		73,665
of which taxes EUR 39,436,442.70; (p.y.: TEUR 59,309)		**445,022,918.10**	**499,156**
of which social security EUR 574,549.63; (p.y.: TEUR 501)			
of which with rem. term ≤ 1 year: EUR 43,895,262.23; (p.y.: TEUR 70.286)			
of which with rem. term > 1 year: EUR 2,813,959.26; (p.y.: TEUR 3,379)			
E. Accruals and deferrals			
Other		**177,568.75**	**190**
Total equity and liabilities		**882,392,170.90**	**928,526**

Income Statement

		31.12.2016 in EUR	31.12.2016 in EUR	31.12.2015 in EUR thousand
1.	Revenue		121,657,809.17	122,218
2.	Other own work capitalised		2,400.00	0
3.	Other operating income			
	a) Income from the disposal of non-current assets	598.00		256
	b) Income from the release of provisions	1.24		3
	c) Other	889,762.78		1,249
			890,362.02	1,508
4.	Cost of materials and other related production services			
	a) Material expenditure	-643,563.56		-788
	b) Expenditure on purchased services	-7,874,836.89		-9,261
			-8,518,400.45	-10,049
5.	Staff expense			
	a) Wages and salaries			
	aa) Wages	-403,941.05		-215
	bb) Salaries	-27,404,384.43	-27,808,325.48	-25,200
	b) Social welfare expenses			
	of which for pension plans EUR 568,788.89; p.y.: TEUR 337			
	aa) Expenses for severance pay and employee provision funds	-1,134,201.04		-652
	bb) Expenses for statutory social welfare			
	and payroll related taxes and statutory contributions	-6,041,756.59		-5,521
	cc) Expenses for pension plans	-568,788.89		-337
	dd) Other social welfare expenses	-188,968.53	-7,933,715.05	-162
			-35,742,040.53	-32,087
6.	Depreciation, amortisation and impairment		-8,112,981.72	-5,750
7.	Other operating expenses			
	a) Taxes that are not classified as income taxes	-13,213.83		-23
	b) Other	-54,156,055.93		-55,823
			-54,169,269.76	-55,846
8.	**Interim total line 1 to line 7**		**16,007,878.73**	**19,994**

			31.12.2016 in EUR	31.12.2015 in EUR thousand
9.	Income from investments		31,792,643.16	41,188
	of which from associated companies EUR 31,686,424.02; p.y.: TEUR 41,089			
10.	Income from other securities and loans in financial assets		5,108,045.86	8,148
11.	Other interest and similar income		6,387,302.47	5,133
	of which from associated companies EUR 5,234,114.49; p.y.: TEUR 4,564			
12.	Income from the disposal of and additions to financial assets			
	Securities in current assets		390,167.31	53
13.	Expenses from financial assets and securities in current assets		-4,062,860.91	-10,357
	of which			
	a) Depreciation and impairment EUR 105,383.50; p.y.: TEUR 306			
	b) Expenses from associated companies EUR 3,635,127.89; p.y.: TEUR 9,982			
14.	Interest and similar expenses		-16,406,123.25	-17,834
	of which related to associated companies EUR 749,153.85; p.y.: TEUR 2,033			
15.	**Interim total line 9 to line 14**		**23,209,174.64**	**26,331**
16.	**Earnings before taxes (interim total lines 8 and 15)**		**39,217,053.37**	**46,325**
17.	Income taxes		-3,537,532.45	1,927
18.	**Profit for the period**		**35,679,520.92**	**48,252**
19.	Release of retained earnings		0.00	155
20.	Allocation to retained earnings		-9,600,000.00	0
21.	Profit carryforward from previous year		6,074,281.50	450
22.	**Net earnings**		**32,153,802.42**	**48,857**

Schedule of Fixed Assets

in EUR	Acquisition and manufacturing cost Balance at 1.1.2016	Additions	(of which) Interest	Reclassifica-tions	Disposals	Balance at 31.12.2016
I. INTANGIBLE ASSETS						
Concessions, licences and similar rights	32,248,819.43	4,472,921.16	0.00	420,618.89	-45,254.41	37,097,105.07
	32,248,819.43	4,472,921.16	0.00	420,618.89	-45,254.41	37,097,105.07
II. PROPERTY, PLANT AND EQUIPMENT						
1. Land, similar rights and buildings, including buildings on land owned by others	38,412,265.01	398,072.45	0.00	0.00	-4,246,985.97	34,563,351.49
2. Technical equipment and machinery	2,513.83	0.00	0.00	0.00	-458.00	2,055.83
3. Other plant, factory and business equipment	14,487,066.36	3,657,873.12	0.00	0.00	-323,789.65	17,821,149.83
4. Assets under construction	540,975.14	2,035,434.56	0.00	-420,618.89	0.00	2,155,790.81
5. Low-value items	0.00	779,434.34	0.00	0.00	-779,434.34	0.00
	53,442,820.34	6,870,814.47	0.00	-420,618.89	-5,350,667.96	54,542,347.96
	85,691,639.77	11,343,735.63	0.00	0.00	-5,395,922.37	91,639,453.03
III. FINANCIAL ASSETS						
1. Shares in associated companies	464,759,899.27	62,608,800.00	0.00	-0.00	-317,943.65	527,050,755.62
2. Investments	625,742.49	3,000.00	0.00	0.00	0.00	628,742.49
3. Loans to companies in which an interest is held	0.00	8,684,436.66	0.00	0.00	0.00	8,684,436.66
4. Securities in current assets	8,690,990.70	0.00	0.00	0.00	-908.41	8,690,082.29
5. Other loans	78,135,774.10	982.35	0.00	0.00	-635,315.04	77,501,441.41
	552,212,406.56	71,297,219.01	0.00	0.00	-954,167.10	622,555,458.47
	637,904,046.33	**82,640,954.64**	**0.00**	**0.00**	**-6,350,089.47**	**714,194,911.50**

Accumulated depreciation, amortisation and impairment						Carrying amounts	
Balance at 1.1.2016	Additions	Reversal of impairment	Reclassifica-tions	Disposals	Balance at 31.12.2016	Carrying amounts 31.12.2016	Carrying amounts 31.12.2015
-21,571,018.36	-4,066,546.05	0.00	0.00	45,254.41	-25,592,310.00	11,504,795.07	10,677,801.07
-21,571,018.36	-4,066,546.05	0.00	0.00	45,254.41	-25,592,310.00	11,504,795.07	10,677,801.07
-9,976,817.65	-916,789.45	0.00	0.00	2,483,675.97	-8,409,931.13	26,153,420.36	28,435,447.36
-2,513.83	0.00	0.00	0.00	458.00	-2,055.83	0.00	0.00
-11,055,490.60	-2,350,211.88	0.00	0.00	316,545.65	-13,089,156.83	4,731,993.00	3,431,575.76
0.00	0.00	0.00	0.00	0.00	0.00	2,155,790.81	540,975.14
0.00	-779,434.34	0.00	0.00	779,434.34	0.00	0.00	0.00
-21,034,822.08	-4,046,435.67	0.00	0.00	3,580,113.96	-21,501,143.79	33,041,204.17	32,407,998.26
-42,605,840.44	-8,112,981.72	0.00	0.00	3,625,368.37	-47,093,453.79	44,545,999.24	43,085,799.33
-12,432,694.17	0.00	0.00	0.00	317,942.65	-12,114,751.52	514,936,004.10	452,327,205.10
-414,840.07	0.00	0.00	0.00	0.00	-414,840.07	213,902.42	210,902.42
0.00	0.00	0.00	0.00	0.00	0.00	8,684,436.66	0.00
0.00	0.00	0.00	0.00	0.00	0.00	8,690,082.29	8,690,990.70
-547,499.00	0.00	0.00	0.00	547,499.00	0.00	77,501,441.41	77,588,275.10
-13,395,033.24	0.00	0.00	0.00	865,441.65	-12,529,591.59	610,025,866.88	538,817,373.32
-56,000,873.68	**-8,112,981.72**	**0.00**	**0.00**	**4,490,810.02**	**-59,623,045.38**	**654,571,866.12**	**581,903,172.65**

Notes

I. General

PORR AG has its registered seat in Vienna and is registered with the commercial court of Vienna under reference number FN 34853 f.

The 2016 financial statements have been prepared with due consideration of generally accepted accounting principles and standard practice to provide a true and fair view of the company's assets, liabilities, financial position and profit or loss (General clause Section 236 Austrian Commercial Code (UGB)). The total cost method has been applied in the income statement.

The accounting and measurement methods used were applied under the assumption that company will continue as a going concern.

Pursuant to Section 245a UGB, the company has produced consolidated financial statements in accordance with IFRS as a listed parent company. These can be viewed at Vienna 10, Absberggasse 47, and at the Commercial Register in Vienna.

The financial statements were prepared with the closing date of 31 December and relate to the fiscal year from 1 January to 31 December. The majority of numerical entries are rounded up or down to the nearest thousand Euros (TEUR) and may result in rounding differences.

II. Accounting and Measurement Methods

The provisions of the UGB have been applied to the accounting, measurement and presentation of the individual items in the annual financial statements. The expansion option/provision pursuant to Section 223 Paragraph 4 UGB has been applied.

Historical exchange rates have been used for the measurement of amounts in foreign currency. However, if the closing rate as of the reporting date was lower for receivables in a foreign currency or higher for liabilities in a foreign currency than the historical exchange rates, the amounts in foreign currency have been recalculated at the closing rate as of the reporting date.

As a result of the first-time application of the provisions of the Austrian Law on Changes in Accounting (hereafter RÄG 2014), in the business year 2016 there was a change in the form of presentation used to date and the previously applied measurement methods. In accordance with Section 906 Paragraph 36 UGB, the amounts stated in the balance sheet and the income statement in previous years have been presented as if the provisions of the new laws had already been applied in the previous year in order to facilitate comparisons.

Entries for previous years in the balance sheet and income statement are as follows pursuant to the new legal situation:

a) Disclosure on treasury shares pursuant to Section 229 Paragraph 1a UGB:

in EUR	Previous year prior to RÄG 2014	Reclassification	Previous year following RÄG 2014
Classification in balance sheet (Assets)			
B. III. 1. Treasury shares	12,030,144.00	-12,030,144.00	n/a
Classification in balance sheet (Equity & liabilities)			
A.I. Nominal value of treasury shares (new)	0.00	-572,864.00	-572,864.00
A.III.3. Reserve for treasury shares	12,030,144.00	-11,457,280.00	572,864.00

b) Omission of untaxed reserves and change in all items in the income statement affected by this change:

in EUR	Previous year prior to RÄG 2014	Reclassification	Previous year following RÄG 2014
Classification in balance sheet (Equity & liabilities)			
A.III.2. Other (free) reserves	86,076,994.14	4,791,691.86	90,868,686.00
C. Untaxed reserves	6,388,922.48	-6,388,922.48	n/a
D.3. Tax reserves (now balance sheet item C.3.)	15,980,016.00	1,597,230.62	17,577,246.62
Classification in income statement			
17. Income taxes	1,875,503.38	51,608.62	1,927,112.00
19. Release of untaxed reserves	206,434.46	-206,434.46	n/a
Release of retained earnings (item not included in previous year; under item 19 in 2016)	0.00	154,825.84	154,825.84

c) Disclosure on revenue pursuant to Section 189a (5) UGB:

in EUR	Previous year prior to RÄG 2014	Reclassification	Previous year following RÄG 2014
Classification in income statement			
1. Revenue	65,910,904.16	56,307,500.45	122,218,404.61
4. c) Other income	57,556,612.07	-56,307,500.45	1,249,111.62

1. Non-current assets

Intangible assets are capitalised at acquisition cost and amortisation is recognised on a straight-line basis over the probable useful life. The following rates of amortisation are thereby applied:

Software	10 to 50%
Licences and patents	10%

Property, plant and equipment is valued at acquisition cost, including incidental costs less reductions in the acquisition costs, or at manufacturing cost, and is subject to the previously accumulated and regularly applied straight-line depreciation during the year under review, whereby the following rates of depreciation are applied:

Residential and administrative buildings	2 to 20%
Technical plants and machinery	16.7 to 25%
Other plants, factory and business equipment	1.01 to 100%

Since 2012 the probable useful of life of machinery and plants, as well as factory and business equipment is generally determined as one-and-a-half times the value pursuant to the "Austrian list of construction equipment" issued by the Association of Industrial Construction Enterprises in Austria (VIBÖ).

Financial assets are generally valued at acquisition cost, although if a lower value has been determined, then this value is applied.

Low-value items (Section 204 UGB) are written off in full in the year they are acquired. Impairment is applied when permanent impairment occurs. Should the reasons for applying impairment in the previous years no longer hold true, a reversal of impairment is applied up to the value of the amortised cost. In the 2016 business year no impairment or reversals of impairment were applied.

2. Current assets

Inventories

Raw materials and supplies are valued at acquisition cost derived from the purchase price.

Receivables

Receivables are recognised in accordance with the strict lower of cost or market principles. Should there be risks relating to the collectability of the receivables, allowances for impairment are formed.

3. Group taxation and deferred taxes

Deferred taxes also contain deferred tax assets and liabilities resulting from the difference in time between the taxable profit and the subsidiary's profit for the period under Austrian GAAP, for which a profit-and-loss transfer agreement exists.

In accordance with AFRAC 30 RZ 65, for accounting and reporting in financial statements under Austrian GAAP in relation to Group taxation, in particular the Group parent shall recognise a provision in accordance with Section 198 Paragraph 8 UGB in conjunction with Section 211 for the foreign tax losses applicable under tax law in the individual financial statements, as these losses could turn into gains in the following years and the Group parent is fundamentally unable to prevent this.

While it may be true in individual cases that these losses will turn into gains in the following years, with regard to every foreign Group member it is basically in the hands of the Group parent PORR AG to influence the start of the turnaround effect in the coming years and so no provisions for deferred taxes are recognised for foreign Group members in accordance with Section 198 Paragraph 8 UGB. As the foreign Group member PORR Polska Construction SA merged with PORR Polska Infrastructure SA in 2017, a provision of EUR 423,439 was recognised for the losses related to subsequent taxation as of 31 December 2016.

The transfer of the shares in TEERAG-ASDAG Aktiengesellschaft into ABAP Beteiligungs Holding GmbH (now PORR Construction Holding GmbH) in the business year 2007 led to an increase in the fair value recognised in profit or loss in the 2007 financial statements of the investment in ABAP Beteiligungsholding GmbH (now PORR Construction Holding GmbH), while for tax purposes the carrying amount plus the carrying amount of the transferred shares in TEERAG-ASDAG Aktiengesellschaft was recognised.

A deferred tax provision from the difference of TEUR 64,693 was not recognised, as the value gain would only be realisable for tax purposes and thereby liable for tax in the case of the sale of the investment in ABAP Beteiligungs Holding GmbH (now PORR Construction Holding GmbH) and a sale is not planned. The difference thereby represents a quasi-permanent difference, for which no tax provision has to be recognised in accordance with Section 198 Paragraph 10 (3).

4. Provisions

The **provisions for severance pay** were determined by an actuarial assessment in accordance with IAS 19 on the basis of an interest rate for accounting purposes of 1.65% (previous year: 2.25%) p. a. and expected salary increases of 2.5% (previous year: 2.5%) p. a. as well as the earliest possible retirement age pursuant to ASVG (pension reform 2004). Actuarial gains or losses are recognised in full in the year in which they occurred. The life table AVÖ 2008-P (salaried employees) is used for calculating provisions. When determining provisions for severance payments and anniversary bonuses, deductions are made for fluctuations based on statistical data within a range of 0.04% to 10.5% (previous year: 1.1% to 14.2%). Service costs are distributed over the entire period of service.

The **provisions for pensions** were also determined by an actuarial assessment in accordance with IAS 19, whereby the same basic data as for severance provisions was applied. Actuarial gains or losses are recognised in full in the year in which they occurred.

Other provisions are recognised for all recognisable risks and impending losses.

Other provisions are recognised in an amount judged to be commercially sensible. Provisions with a remaining term of more than one year are subject to discounting at the common market interest rate of 1.65%. In the year under review discounting of TEUR 4 was applied.

5. Liabilities

Liabilities are recognised at their nominal value or the amount to be repaid, if higher.

III. Notes to the Balance Sheet of PORR AG

1. Non-current assets

The composition and development of the fixed assets is shown in Appendix 1 to these notes.

Item II.1 contains:

in EUR thousand	2016	2015
Basic values	11,189	11,189

The following liabilities relate to long-term rental and lease agreements for the use of property, plant and equipment not recognised in the balance sheet:

in EUR thousand	2016	2015
For the following year	6,063	7,142
For the next five years	29,466	23,861

A breakdown of the data required by Section 238 Paragraph 1 (4) UGB in relation to the shares held in associated companies and other investments is given in Appendix 2 to these notes.

The additions to investments primarily relate to shareholder contributions (so-called grandparent subsidies) to the subsidiaries of PORR Construction Holding GmbH (formerly: ABAP Beteiligungs Holding GmbH) and PORR Bauindustrie GmbH (formerly: Zenit Bauplanungs- und Errichtungsgesellschaft m.b.H.) to strengthen their equity base; these are shown as acquisition costs under the investment in these subsidiaries.

The loans mainly relate to granting a perpetual mezzanine loan of TEUR 100,000 and perpetual hybrid capital of TEUR 25,330 to PIAG Immobilien AG, which were granted in the course of the spin-off of the real estate business. With the merger of PIAG Immobilien AG as the transferring company and UBM Development AG as the absorbing company, these loans were transferred to UBM Development AG by way of legal succession. PORR AG is not entitled to cancel either of these instruments. The borrower of the loan and the hybrid capital is entitled to cancel the mezzanine loan or hybrid capital at any time, whereby it exercised this option on 30 December 2015 in the amount of TEUR 50,000 for the mezzanine loan. Respectively, interest payments depend on whether UBM Development AG resolves to pay out a dividend from the annual surplus. If there is no payout of dividends from the annual surplus in a given year to the shareholders of UBM Development AG, then UBM Development AG is also not obliged to pay any interest in this year, whereby the unpaid interest is not cancelled but remains due.

Additional disclosures on **financial assets**:

in EUR thousand	2016	2015
Other loans	**77,501**	**77,588**
of which with a remaining term of up to one year	87	87
Securities	**8,690**	**8,691**

2. Current assets

Receivables

Trade receivables of TEUR 14,012 (previous year: TEUR 4,462) are recognised in receivables from associated companies as are trade payables of TEUR 153 (previous year: TEUR 1,342).

Receivables from companies in which an interest is held contain trade receivables of TEUR 138 (previous year: TEUR 147) and trade payables of TEUR 17 (previous year: TEUR 61).

Other receivables include proceeds of TEUR 4,969 (previous year: TEUR 5,273) which will only have an impact on cash after the closing date.

Other securities

Other securities involve the company's own bonds.

3. Accruals and Deferrals

Accruals and deferrals under assets mainly relate to upfront payments for guarantee commissions, rental costs and maintenance expenses for software.

4. Equity

Share capital	No.	Value in EUR
Ordinary bearer shares	29,095,000	29,095,000

The shares are no-par bearer shares, each of which participates in the share capital to the same extent. Every bearer share has a pro-rata interest of around EUR 1.00.

Authorised capital

In the extraordinary general meeting on 11 July 2013, the Executive Board was authorised to increase the share capital of the company, within a five-year period starting on 23 August 2013, in multiple tranches if so wished, to EUR 6,612,500 by issuing up to 6,612,500 no-par value shares in exchange for cash or contribution in kind (authorised capital), whereby the issue price, the conditions of issue, the subscription ratio, and other details are to be determined with the approval of the Supervisory Board. The pre-emptive rights of shareholders to these new shares issued from the authorised capital are excluded when and if this authorisation (authorised capital) is exercised by issuing new shares in exchange for contribution in kind, up to a total of 10% of share capital, with overallotment options in the course of issuing new shares in the company.

Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive rights, when and if this authorisation (authorised capital) is exercised:

i) through issuing shares in exchange for contribution in kind, or
ii) through issuing shares to staff members, leading employees and members of the Executive Board of the Group or an associate up to a total level of 10% of share capital.

The Supervisory Board is authorised to rule on changes to the statutes which result from the Executive Board exercising this entitlement.

Treasury shares

On 21 January 2015, 286,432 no-par bearer shares in PORR AG, corresponding to around 1.969% of the share capital, were acquired for TEUR 12,030. The realisation of a share split at a ratio of 1:2, authorised by the 135th Annual General Meeting on 3 June 2015, led the number of shares to increase to 572,864.

Owing to the entry into force of the provisions of RÄG 2014, the nominal amount in accordance with Section 229 Paragraph 1a UGB is reported separately from the share capital and recognised as a special reserve in the same amount. The difference between the nominal amount and the acquisition cost of TEUR 11,457 has been offset against free retained earnings.

On 24 May 2106 the Annual General Meeting passed a resolution to pay out a special dividend to shareholders of EUR 0.50 per share in addition to the dividend of EUR 1.00 per share; this was to reflect the successful spin-off of the real estate business and would be paid out in cash or in the form of PORR shares (scrip dividend). During the subscription period from 1 June 2016 to 15 June 2016, shareholders had the option of taking the special dividend of EUR 0.50 per dividend-bearing share in cash or as PORR shares in the course of reinvestment. On 16 June 2016 the Executive Board of PORR AG determined the subscription ratio as 54:1 and the reinvestment price as EUR 27.00, in line with the Annual General Meeting resolution of 24 May 2016. Rights were exercised for a total of around 20.5m shares, corresponding to a take-up rate of around 71.8% of the shares entitled to subscribe.

The special dividend was thereby realised for a total of 378,917 PORR shares. This led to an offsetting of the reserve for treasury shares against the share capital in the amount of TEUR 379. The difference from the reinvestment proceeds exceeding the nominal value was once again returned to free retained earnings in accordance with Section 229 Paragraph 1b UGB in the amount of TEUR 7,957 (this corresponds to the pro-rata difference between the nominal amount and acquisition cost that was offset against free retained earnings upon the acquisition on 21 January 2015), while the outstanding difference of TEUR 2,273 led to an increase in capital reserves.

Furthermore, EPS Absberggasse 47 Projektmanagement GmbH, a wholly owned subsidiary, holds ordinary shares in PORR AG. This results in the following stake held in treasury shares:

PORR AG	No. of shares	Nominal value per share in EUR	Nominal value in EUR	% of share capital
Interest held on 31.12.2015	**572,864**	**1.00**	**572,864**	**1.969%**
Special dividend	-378,917	1.00	-378,917	-1.302%
Interest held on 31.12.2016	**193,947**	**1.00**	**193,947**	**0.667%**

EPS Absberggasse 47 Projektmanagement GmbH	No. of shares	Nominal value per share in EUR	Nominal value in EUR	% of share capital
Interest held on 31.12.2015	**22,548**	**1.00**	**22,548**	**0.077%**
Interest held on 31.12.2016	**22,548**	**1.00**	**22,548**	**0.077%**

Mezzanine capital

This is a perpetual hybrid bond.

As payments of interest and capital redemption are only compulsory when the conditions are activated, where their activation can be authorised or prevented by PORR AG, and the Group therefore has the option of avoiding payment on the mezzanine and hybrid capital permanently, this mezzanine and hybrid capital is recognised in the balance sheet as a separate item.

The hybrid bond constitutes direct, non-secured and subordinated liabilities that are primarily part of equity and are ranked at the same level among themselves and as comparable securities and are subordinate to every other existing or future liability, whether subordinated or not, which expressly take precedence over liabilities from the hybrid bond.

The partial debentures of this hybrid bond were issued with a denomination of EUR 500.00 and are fixed at 6.75% p.a. until 27 October 2021 during an unlimited term, after which they are subject to variable interest as of 28 October 2021 (3-month EURIBOR plus a premium of 8.5% p.a.).

No remuneration was in arrears as at 31 December 2016.

5. Provisions

in EUR thousand	2016	2015
Severance	7,951	6,911
Pensions	11,678	11,715
Taxes	20,975	15,980
Other		
Buildings	1,576	1,736
Staff	6,724	6,060
Miscellaneous	391	411
Total	**49,295**	**42,813**

Provisions for severance pay were only formed for salaried employees, as waged workers are governed by the Construction Workers' Leave and Severance Pay Act 1987 and thereby have no claim against the company with regard to severance pay.

There is pension plan reinsurance to cover pension provisions with insurance cover in the amount of EUR 6,095,239.44 at 31 December 2016 (previous year: TEUR 6,281). All of the rights and claims from these agreements are pledged in full in favour of those with pension entitlements.

Tax provisions relate exclusively to corporation tax.

The **provisions from construction accounting** relate to provisions for missing purchase invoices and for warranty claims.

Staff provisions exist for untaken holidays, bonuses, anniversary bonuses, redundancy and other obligations in the personnel sector.

Miscellaneous provisions primarily consist of provisions for audits and remuneration for Supervisory Board members.

6. Liabilities

Liabilities to associated companies result from ongoing cash clearing and from the assumption of earnings as well as from trade payables in the amount of TEUR 2 (previous year: TEUR 2), which are offset against trade receivables in the amount of TEUR 166 (previous year: TEUR -809).

Liabilities to companies in which an interest is held exclusively involve trade payables of TEUR 23 (previous year: TEUR 0).

Other liabilities include expenses of TEUR 4,514 (previous year: TEUR 11,660), which will only have an impact on cash after the end of the reporting period.

Breakdown of liabilities with a remaining term of more than five years:

in EUR thousand	2016	2015
Bonds	15,000	-
Mortgage liabilities	-	754
Deposits from banks	2,797	8,244
Other liabilities	445	798
Total	**18,242**	**9,796**

The company has liabilities secured by collateral of TEUR 2,652 (previous year: TEUR 3,959), which relate to the civil-law ownership of the lessor for the respective properties.

7. Guarantees

Guarantees are obligations taken on towards a third party and consisted of the following:

in EUR thousand	2016	2015
Loan guarantees	40,413	59,336
of which for associated companies	40,181	58,923
Other	83,185	75,274
of which for associated companies	83,185	64,801
Total	**123,598**	**134,610**

Other guarantees also include letters of comfort for the lease financing of subsidiaries.

There is a letter of comfort with joint and several liability for the Qatar Railway Company for the "Green Line Metro" project. This has a total value as of 31 December 2016 equivalent to EUR 2,344m. This is not expected to be exercised in the foreseeable future in view of the current progress on the project. Furthermore, there are letters of comfort for subsidiaries that do not state specific amounts.

In order to carry out and guarantee its operating construction business, the PORR Group has secured access to various credit lines in Europe and several Arab countries; these credit lines totalled around EUR 2,921m at 31 December 2016. These credit lines allow the PORR Group to issue bid bonds, advance payment guarantees, contractual performance bonds, security deposits and various other types of guarantee. Of these credit lines, EUR 961m have been concluded with a three-year term as of 31 December 2016; the remainder of the lines are extended on an annual basis.

As of 31 December 2016, around 49% of the European credit lines had been drawn on, as had around 46% of the lines in Arabic countries.

In accordance with the agreements, credit lines that are drawn on are passed on to the subsidiaries.

IV. Notes on the Income Statement

1. Revenue and other operating income

As a result of the first-time application of the provisions of RÄG 2014, the amounts from previous years have been adjusted pursuant to Section 906 Paragraph 36 UGB and revenue is thereby subdivided into the following areas; almost all of the amounts were generated in Austria:

in EUR thousand	2016	2015
Construction services	15	-277
Administration	74,961	61,014
Letting	10,536	9,882
Managing guarantees	13,113	30,253
Other services for subsidiaries and third parties	20,761	20,804
Miscellaneous	2,272	542
Total	**121,658**	**122,218**

The **miscellaneous operating income** primarily consists of income from grants and exchange gains.

2. Staff expense

Expenses for severance pay include the formation of provisions for severance claims by employees as well severance paid out.

Executive Board remuneration totalled EUR 3,530,000.00 (previous year: TEUR 3,517). EUR 80,000.00 (previous year: TEUR 78) of this total relates to payments due on or after completion of the management contract in the form of defined contribution plans.

The remuneration breaks down as follows:

in EUR thousand	2016	2015
Karl-Heinz Strauss	1,450	1,450
Christian B. Maier	1,040	1,032
J. Johannes Wenkenbach	1,040	1,035
Total	**3,530**	**3,517**
of which current benefits due	3,450	3,439
of which remuneration due on or after completion of the management contract	80	78

Expenditure on severance payments and pensions

in EUR thousand	2016	2015
Expenditure on severance pay	878	438
Contributions to staff provision fund for employees	256	214
Expenses for severance and contributions to staff provision fund	1,134	652
Expenditure on pension funds	569	336
Expenditure on severance payments and pensions	**1,703**	**988**
This breaks down as follows:		
Executive Board remuneration and emoluments for former Executive Board members	798	926
Management staff	-51	-420
Other employees	956	482
Total	**1,703**	**988**

3. Other operating expenses

Other operating expenses mainly comprise office running costs, insurance costs, commission on syndicated guaranteed loans and bank charges, travel expenses, legal, audit and consultancy services, advertising costs and expenses for buildings and land. TEUR 100 (previous year: TEUR 100) was set aside for the costs of the audit.

4. Net financial income/expenses

Income from investments includes income from profit-and-loss transfer agreements in the amount of EUR 31,686,424.02 (previous year: TEUR 27,027).

Expenses from financial assets include assumed losses of subsidiaries as the result of profit-and-loss transfer agreements in the amount of EUR 3,375,149.78 (previous year: TEUR 9,641).

5. Income taxes

Income taxes of TEUR 3,538 consist of Austrian and foreign corporation tax, the tax expense allocable to PORR AG as the Group parent in the course of Group taxation in accordance with Section 9 Austrian Corporation Tax Act (KStG), as well as deferred taxes.

The recognition of deferred taxes in accordance with the legal amendments of RÄG 2014 is in place as of 1 January 2016. The balance from deferred tax assets and liabilities as of 31 December 2015 in the amount of EUR 1,712,106.00 was capitalised in full. The distribution option was not exercised. The change in deferred taxes relating to the business year 2016 amounts to EUR 48,570.75.

When calculating deferred taxes, the current Austrian Corporation Tax rate of 25% was applied and can be seen in Appendix 3 to these notes.

The standalone method was applied for tax allocation:

If there is a **positive tax result** for a Group member, the tax levy is calculated in line with the corporation tax that the Group member would have had to pay if its tax result had not been allocated to the Group parent. If there is a **negative tax result** for a Group member, this loss is recorded and can be offset against later gains. Should a member **leave** the Group, the tax losses and/or the non-offsettable losses, which at the time of leaving the Group have not been offset against later gains pursuant to Section 2 Paragraph 2 Austrian Income Tax Act (EStG), are to be settled in the form of compensation by the next-highest Group member.

The expense (previous year: income) from income taxes breaks down as follows:

in EUR thousand	2016	2015
Corporation tax	4,968	4,872
Tax allocations	324	-6,754
Foreign taxes	6	6
Deferred taxes	-1,760	-51
Total	**3,538**	**-1,927**

V. Disclosures on Financial Instruments

On 12 August 2015 PORR AG placed a Schuldscheindarlehen (SSD) totalling TEUR 185,500. The issue consists of four tranches with terms of three and five years and with a choice of interest at fixed or variable rates. In August 2016 the Schuldscheindarlehen was increased by TEUR 14,500 to TEUR 200,000 and the tranches at variable interest rates were partially extended.

Composition of the Schuldscheindarlehen:

in EUR	Nominal amount	Tenor	Interest	Interest rate
Tranche 1	21,000,000.00	12 August 2018	fixed	1.764%
Tranche 2	38,000,000.00	12 August 2018	variable	6-month EURIBOR+1.6%
Tranche 3	11,000,000.00	12 August 2020	fixed	2.249%
Tranche 4	20,000,000.00	12 August 2020	variable	6-month EURIBOR+1.85%
Tranche 5	1,000,000.00	12 August 2019	fixed	1.15%
Tranche 6	30,000,000.00	12 August 2019	variable	6-month EURIBOR+1.15%
Tranche 7	37,000,000.00	12 August 2021	fixed	1.55%
Tranche 8	27,000,000.00	12 August 2021	variable	6-month EURIBOR+1.55%
Tranche 9	5,000,000.00	14 August 2023	fixed	1.917%
Tranche 10	10,000,000.00	14 August 2023	variable	6-month EURIBOR+1.90%

All tranches subject to variable interest have been hedged using interest rate swaps (swapping variable rate for fixed rate), classified as a cash flow hedge.

At 31 December 2016 the fair value of the interest rate swaps was negative at EUR 1,244,029.50. A provision for the negative market value has not been formed in light of the hedge relationship, which is classified as 100% effective.

In the 2016 business year the company concluded exchange rate hedges in the form of forward contracts for the intragroup financing of subsidiaries in Switzerland, Great Britain and Qatar.

The fair value of all forward exchange contracts as of 31 December 2016 was negative at EUR 387,464.41.

Due date	CHF	GBP	QAR	Total
January 2017	1,768,922.82			1,768,922.82
February 2017	23,831,688.70			23,831,688.7
June 2017		614,742.28	11,216,406.67	11,831,148.95
December 2017		354,164.77		354,164.77
Total	**25,600,611.52**	**968,907.05**	**11,216,406.67**	**37,785,925.24**

A provision for the negative market value of a forward contract in QAR totalling EUR 230,723.51 has also not been formed in light of the hedge relationship, which is classified as 100% effective.

VI. Fees Paid to the Auditors

Please see the consolidated financial statements of PORR AG for details on the fees paid to the Group's auditors.

VII. Disclosure on Associated Companies

Profit-and-loss transfer agreements are in place with the following companies:

PORR Financial Services GmbH
PORR Equipment Services GmbH
Schotter- und Betonwerk Karl Schwarzl Betriebsgesellschaft m.b.H.
PORR Beteiligungen und Management GmbH
PORR Bauindustrie GmbH
PORR Construction Holding GmbH

VIII. Other Disclosures

All of the company's transactions with related parties correspond to market conditions. There were no significant off-balance-sheet transactions as defined by Section 238 Paragraph 1 (10) UGB.

IX. Dividends

Based on the earnings for the business year 2016, the Executive Board will propose the payout of a dividend of EUR 1.10 per share to ordinary shareholders at the 137th Annual General Meeting to be held on 23 May 2017.

X. Events after the End of the Reporting Period

On 6 February 2017, PORR AG issued a subordinated bond (hybrid bond) with a total nominal amount of EUR 125,000,000.00. The partial debentures of this hybrid bond were issued with a denomination of EUR 1,000.00 and may only be transferred in minimum total nominal amounts of EUR 100,000.00 and in multiples of EUR 1,000.00 over this minimum. The new bond has an unlimited term, whereby the issuer has the right to redeem the bond prematurely after five years; it is subject to fixed interest of 5.500% p.a. until 6 February 2022 and subject to variable interest as of 7 February 2022 (5-year IS-DAFIX2 swap rate plus a margin of 5.312% p.a.).

XI. Disclosure on Staff and Executive Bodies

Average staffing level	2016	2015
Waged workers	6	3
Salaried employees	359	332
Total	**365**	**335**

Members of the Executive Board
Karl-Heinz Strauss, CEO
Christian B. Maier
J. Johannes Wenkenbach

Please refer to note IV.2. Staff expense for details on Executive Board remuneration and expenditure on severance pay and pensions.

Members of the Supervisory Board
Karl Pistotnik, Chairman
Klaus Ortner, Deputy Chairman
Michael Diederich
Robert Grüneis
Walter Knirsch
Iris Ortner
Bernhard Vanas
Susanne Weiss
Thomas Winischhofer

Remuneration (including meeting fees) for members of the Supervisory Board of EUR 199,750.00 (previous year: TEUR 217) was recognised in the income statement.

Members delegated by the Works Council
Peter Grandits
Walter Huber (until 5 December 2016)
Walter Jenny
Michael Kaincz
Michael Tomitz

19 April 2017, Vienna

The Executive Board
Karl-Heinz Strauss, m.p.
Christian B. Maier, m.p.
J. Johannes Wenkenbach, m.p.

Investments

Company		Country code	Domicile	PORR share
Affiliated companies				
Affiliated companies limited by shares				
PORR Bauindustrie GmbH	*	AUT	Vienna	100.00%
Sabelo Beteiligungsverwaltungs GmbH		AUT	Vienna	100.00%
Esikas Beteiligungsverwaltungs GmbH		AUT	Vienna	100.00%
PORR Construction Holding GmbH	*	AUT	Vienna	100.00%
PORR Equipment Services GmbH	*	AUT	Vienna	100.00%
Schotter- und Betonwerk Karl Schwarzl Betriebsgesellschaft m.b.H.	*	AUT	Unterprem-stätten	100.00%
PORR Financial Services GmbH	*	AUT	Vienna	100.00%
EPS Absberggasse 47 Projektmanagement GmbH		AUT	Vienna	100.00%
PORR gradbenistvo, trgovina in druge storitvc d.o.o.		SVN	Ljubljana	100.00%
PORR Beteiligungen und Management GmbH	*	AUT	Vienna	100.00%
Affiliated partnerships				
Wibeba Hochbau GmbH & Co. Nfg. KG		AUT	Vienna	100.00%
Associated companies				
Associated companies limited by shares				
RBA - Recycling- und Betonanlagen Ges.m.b.H. & Co. Nfg. KG		AUT	Zirl	31.58%
Other companies				
Other companies limited by shares				
Gaspix Beteiligungsverwaltungs GmbH		AUT	Zirl	31.58%
Zero Bypass (Holdings) Limited		GB	London	10.00%
BPV-Metro 4 Építési Közkereseti Társaság		HUN	Budapest	49.95%
BPV-METRO 4 NeKe Építési Közkereseti Társaság		HUN	Budapest	49.95%

* Company with profit-and-loss transfer agreement

Key:
F = Fully consolidated company
E = Company consolidated under the equity method
N = Non-consolidated company

Type of consolidation	Currency	Nominal capital	Equity/deficit not covered by equity	Annual profit/loss	Reporting date
F	EUR	36,336.42	214,066,878.64	3,887,355.40	31.12.2016
N	EUR	35,000.00	33,085.25	787.54	31.12.2016
N	EUR	35,000.00	38,466.74	1,040.85	31.12.2016
F	EUR	35,000.00	298,734,067.01	4,442,620.97	31.12.2016
F	EUR	35,000.00	538,500.00	21,916,049.44	31.12.2016
F	EUR	3,633,641.71	16,379,481.42	1,440,398.21	31.12.2016
F	EUR	500,000.00	505,000.00	-3,015,602.84	31.12.2016
F	EUR	36,336.42	297,564.23	227,858.32	31.12.2016
N	EUR	8,763.14	-9,946.10	-124,060.12	31.12.2016
F	EUR	35,000.00	20,071,169.60	-359,546.94	31.12.2016
F	EUR	35,000.00	766,365.27	504,932.98	31.12.2016
E	EUR	581,382.67	1,434,575.86	853,193.19	31.12.2016
N	EUR	24,822.48	23,558.78	1,263.70	31.12.2016
N	EUR	3,000.00	30,000.00	0.00	31.12.2016
N	HUF	10,000,000.00	8,338,127.00	-923,686.00	31.12.2016
N	HUF	10,000,000.00	10,392,240.10	-4,932,313.08	31.12.2016

Deferred Taxes

	Differences 2016			Differences 2015		
	Group members	PORR AG	Total	Group members	PORR AG	Total
Deferred tax assets						
Intangible assets	3,475,740.00	0.00	3,475,740.00	45,440.00	0.00	45,440.00
Financial assets	18,351,912.00	9,245,788.00	27,597,700.00	29,583,668.00	4,094,472.00	33,678,140.00
Non-current staff provisions	41,415,356.00	8,198,280.00	49,613,636.00	14,371,528.00	7,798,548.00	22,170,076.00
Non-current other provisions	8,220,784.00	4,160.00	8,224,944.00	9,269,520.00	7,104.00	9,276,624.00
Borrowing costs	0.00	1,422,824.00	1,422,824.00	0.00	0.00	0.00
Deferred tax liabilities						
Property, plant and equipment	-10,144.00	0.00	-10,144.00	-8,104.00	0.00	-8,104.00
Act. administrative and distribution costs	-83,896,452.00	0.00	-83,896,452.00	-58,313,752.00	0.00	-58,313,752.00
Untaxed reserves	0.00	-5,774,463.48	-5,774,463.48	0.00	0.00	0.00
Total differences	**-12,442,804.00**	**13,096,588.52**	**653,784.52**	**-5,051,700.00**	**11,900,124.00**	**6,848,424.00**
Resultant deferred taxes 25% tax rate	**-3,110,701.00**	**3,274,147.13**	**163,446.13**	**-1,262,925.00**	**2,975,031.00**	**1,712,106.00**

Auditor's Report

REPORT ON THE FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the financial statements of PORR AG, Vienna. These financial statements comprise the statement of financial position as of December 31, 2016, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2016 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

BASIS FOR OPINION

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The matters subsequently stated comprise the key audit matters from our perspective:
1. Valuation of investment

1. Valuation of investment

Situation and reference to further information

The carrying amount of the "shares in affiliated companies" as at 31.12.2016 is approx. MEUR 515. Based on the Company's balance sheet total, this corresponds to a share of more than 58%. The value of the shares in affiliated companies therefore has a significant impact on the company's assets and earnings situation.

The assessment of the value of the shares in affiliated companies is performed on the basis of the DCF method and requires significant assumptions and estimates. Therefore, the value of the shares in affiliated companies is subject to uncertainty. For the financial statements the risk of an overvaluation of shares in affiliated companies exists.

Audit response

In order to address the risk, we assessed the appropriateness of the future-oriented estimates and significant assumptions as well as the calculation methods used.

In doing so, we analysed the plausibility of the assumptions and essential value drivers set out in the underlying planning calculations, taking into account the general and sector-specific market expectations.

The appropriateness of the discount rate was tested by comparing the parameters that are decisive for the determination of the discount rate with market- and sector-specific benchmarks.

In addition, the steps in the calculation schedule were retraced and recalculated on a random sampling basis.

Reference to further information:
In addition to the presentation of the accounting and measurement methods in section II., section III.1. Assets, contains details and explanations of the shares in affiliated companies. The shares in affiliated companies as well as the carrying value of the equity and their net profit for the year are presented in a table in supplement 2 to the disclosure notes. Section IV. 2. contains information on the income and expenses from affiliated companies.

RESPONSIBILITIES OF MANAGEMENT AND OF THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COMMENTS ON THE MANAGEMENT REPORT FOR THE COMPANY

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner on the audit resulting in this independent auditor's report is Mr. Klemens Eiter, Certified Public Accountant.

Vienna, April 19, 2017

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Klemens Eiter
Certified Public Accountant

Gerhard Fremgen
Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the group financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of the parent company give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report presents the development and performance of the business and the position of the company in such as way that it gives a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the management report describes the significant risks and uncertainties which the company faces.

Vienna, April 2017

Karl-Heinz Strauss
Chief Executive Officer

Christian B. Maier
Executive Board Member

J. Johannes Wenkenbach
Executive Board Member

Appropriation of Earnings

The consolidated financial statements as of 31 December 2016 report net retained profits of EUR 32,153,802.42 for the business year 2016.

The Executive Board thereby proposes the following appropriation of retained profits reported in the consolidated financial statements as of 31 December 2016:

The payout of a dividend of EUR 1.10 (one euro and tent cents) per dividend-bearing share with the remaining balance to be carried forward to new account.

Vienna, April 2017

The Executive Board
Karl-Heinz Strauss, m.p.
Christian B. Maier, m.p.
J. Johannes Wenkenbach, m.p.

Acknowledgements

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The financial statements for 2016, including the notes to the financial statements and the management report (individual financial statements), that have been audited by the company's auditors can be obtained free of charge from the company at 1100 Vienna, Absberggasse 47, and will be available at the AGM. In addition, the annual financial statements for 2016 may be downloaded from the website porr-group.com/reporting.

The contents of the annual report together with the individual financial statements constitute the annual financial report.

Disclaimer
Statements relating to the future in this report are based on estimates and assumptions which are made, to the best of their current knowledge, by managerial staff. Future-related statements may be identified as such by expressions such as “anticipated”, “target” or similar constructions. Forecasts concerning the future development of the company take the form of estimates based on information available at the time of going to press. Actual results may differ from forecast values where the assumptions on which these are based should prove incorrect or risks should develop in unforeseeable ways.

Every care has been taken in the compilation of this annual report to ensure the accuracy and completeness of information in all sections. However, roundoff, typesetting and printing errors cannot be completely ruled out. All dates expressed in digits conform to European conventions of dd.mm.yyyy. Results preceded by the abbreviation TEUR are in euro thousand.

This report is a translation into English of the Annual Report 2016 published in the German language and is provided solely for the convenience of English-speaking users. The figures have been rounded off. In the event of a discrepancy or translation error, the German-language version prevails.

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